

ARROWUTILITIES.CA

ADMINISTRATION'S ANNUAL REPORT 2025



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CEO REMARKS

On behalf of ARROW Utilities, I am proud to present the 2025 Annual Report, highlighting a year of continued progress and a clear focus on the future of our organization, our region, and the communities we serve.

In 2025, our efforts were guided not only by the need to deliver reliable, high-quality services today, but by a commitment to building a resilient and financially sustainable utility for the years ahead. Across all areas of our operations, we made meaningful strides in strengthening infrastructure, advancing strategic projects, and enhancing the systems that support long-term growth.

Our Engineering team continued the development of Train 4 while advancing critical infrastructure upgrades designed to increase capacity and system resilience. As several major projects progressed through construction and into commissioning, we remained focused on disciplined project delivery, ensuring that investments made today will support sustainable service delivery well into the future.

Regulatory Services continued to evolve its approach, further strengthening compliance while supporting regional collaboration. Laboratory Services maintained full compliance and accreditation, while contributing to operational efficiencies and data-driven decision-making across the organization

Through proactive maintenance strategies and continued investment in asset management practices, the team is helping to reduce lifecycle costs and ensure the long-term performance of our critical infrastructure.

A key priority in 2025 has been advancing ARROW Utilities' financial sustainability. We have

strengthened our financial planning practices, improved cost controls, and continued to refine our long-term rate strategy to ensure fairness, transparency, and stability for our municipal partners. These efforts are essential to ensuring that we can meet growing infrastructure needs while maintaining responsible stewardship of public resources.

ARROW Utilities also successfully completed its annual ISO 14001 EMS and finalized the 10-year EPEA Approval renewal—reinforcing our commitment to environmental responsibility and regulatory excellence.

Looking ahead, we remain focused on building a more resilient, adaptive, and sustainable utility. Through continued investment in infrastructure, people, and innovation, supported by strong financial governance, we are positioning ARROW Utilities to meet the challenges of tomorrow with confidence.

Together with our partners, we are not only sustaining essential services, but we are shaping a stronger, more sustainable future for our region.

Kate Polkovsky CHIEF EXECUTIVE OFFICER

We respectfully acknowledge that we serve a region across Treaty 6 territory, traditional lands of First Nations and Metis peoples. As treaty people, Indigenous and non-Indigenous, we share the responsibility as stewards of this beautiful land and the water that connects our lands.

May we tread lightly on this land and water, respecting its ecological balance and preserving it for future generations.

ENGINEERING

5
COMPLETED
PROJECTS

2
IN
PROGRESS

1
MAJOR
STUDY

DESIGN & CONSTRUCTION

COMPLETED IN 2025:

Air Products Waterline: Engineering provided project management support and design input. The project was completed in summer 2025 and it will remain under Air Products' control until all terms of the Construction Agreement are met and the Canada Net-Zero Hydrogen Energy Complex is ready to accept re-use water from ARROW Utilities.

Waste Gas Burner Upgrade: Final portion was completed in 2025, including the demolition and removal of the original flare building. As the building was attached to the tunnel leading east from the Utility Building, waterproofing of that tunnel was included in the scope.

Biogas and Chiller Piping: Digester building gas room piping upgrades were completed in 2025. Chiller and HVAC final phase design scheduled to begin in summer 2026.

5kV Switchgear Project: Final installation occurred in fall 2025, following delays due to equipment delivery and blower redundancy restoration.

Emergency Break east of the combination chamber (near St. Albert) to 127 Street: This project was completed in fall 2025.

IN PROGRESS

Train 4: The majority of installations were completed and commissioning commenced in 2025. Full project completion is expected in Q2 2026.

Emergency Break along the START line west of 17 St: This break occurred in Q2 2025. Final completion was delayed by a five month wait for a CN Rail crossing agreement and is expected to be resolved in early Q2 2026.

ENGINEERING STUDIES

Utility Management Plan (UMP)

Awarded in Q3 2024, the final document was received in Q3 2025. It included a 10-year prioritization of capital projects, combined system modelling, and a long-term growth analysis of the transmission system to support short- and long-range Corporate Capital Plan development.

OTHER ACTIVITIES

- Process Engineering
- Subdivision and industrial connection reviews
- Asset Management and Geographical Information System (GIS)
- System Modelling and Growth Planning
- TAC engagement (Technical Advisory Committee)

OPERATIONS & MAINTENANCE

OPERATIONS

Operations maintained flows within permit parameters across the ARROW Utilities service region throughout 2025, supporting system-wide performance monitoring.

MAINTENANCE

In 2025, the Maintenance Department underwent significant transformation. One of the major initiatives that defined the year was the implementation of a new Computerized Maintenance Management System (CMMS).

New CMMS: Deployed in September 2025

- Digitization and standardization of equipment files
- Modernization of preventive maintenance (PM) programs
- Integration of Train 4 expansion assets
- Progressive optimization aligned with ARROW Utilities operational requirements

MAJOR REPAIRS COMPLETED

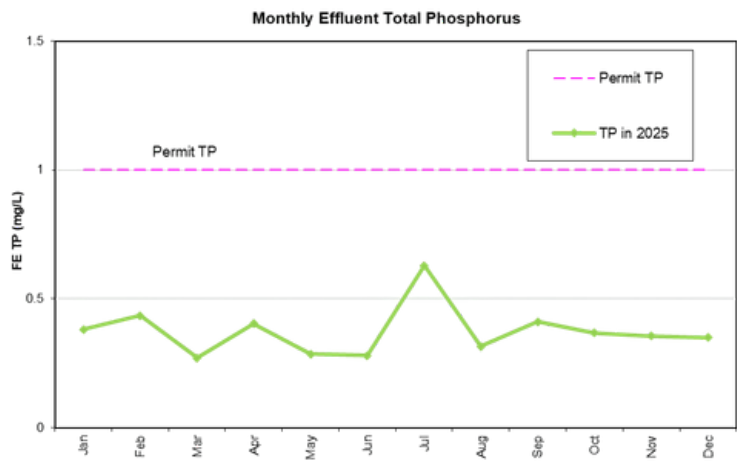
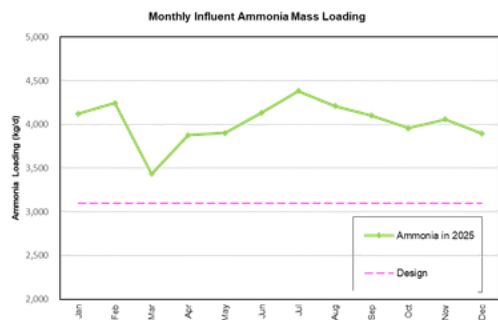
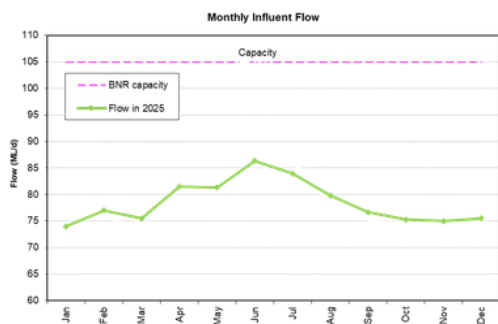
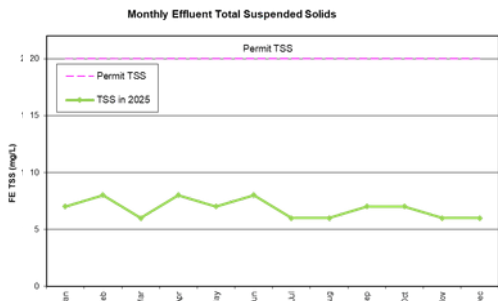
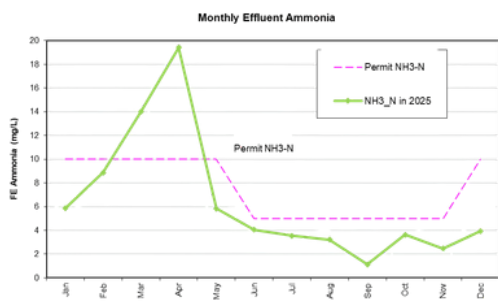
West Primary Clarifier dewatering & inspection

Blowers ⅓ repairs

East Headworks Screen rebuild

Digester radar level sensor project

Digester fire alarm panel project



REGULATORY SERVICES

20K+
LAB TESTS ANALYZED

95%
ICI COMPLIANCE

353
FACILITIES INSPECTED

ENVIRONMENTAL MANAGEMENT SYSTEM

External Audit: ISO 14001
Annual audit completed in October with one minor nonconformance identified.

Compliance Evaluation
ARROW Utilities was fully compliant with all environmental legislation scheduled for review in 2025.

MONITORING & MEASUREMENT¹

Air Emissions Inventory (Alberta Environment & Protected Areas)

106.27 tonnes of emissions calculated from ARROW Utilities' wastewater treatment plant in 2024, a 3.4% increase over 2023, attributed to the unavailability of Biogas piping during a replacement project resulting in the need to increase natural gas consumption for plant heating.

Greenhouse Gas Emissions (Environment and Climate Change Canada)

Total GHG emissions increased 12% in 2024 to 54.30 kt CO₂ eq, attributed to higher Biochemical Oxygen Demand (BOD) concentrations and increased population served.

NATIONAL POLLUTANT RELEASE INVENTORY 2024¹

Pollutant	Total released	Unit	vs 2023	Reportable Pollutants (ARROW Wastewater Treatment Plant): Canada's legislated public inventory tracks over 300 pollutants released, disposed of, or transferred by 7,000+ facilities to air, land, and water. It supports pollution monitoring and environmental policy, with annual reporting required by June for facilities that meet criteria.
Arsenic (and its compounds)	54.3	kg	↓ 10%	
Cadmium (and its compounds)	8.1	kg	↓ 5%	
Cobalt (and its compounds)	366	kg	↓ 22%	
Lead (and its compounds)	79	kg	↓ 13%	
Selenium (and its compounds)	485	kg	↑ 19%	
Ammonia (total)	409	tonnes	↓ 2%	
Nitrate ion in solution	484.1	tonnes	↑ 5%	
Phosphorus (total)	2	tonnes	↓ 9%	
Particulate Matter ≤10 µm	4.3	tonnes	↑ 2%	
Particulate Matter ≤2.5 µm	4.3	tonnes	↑ 2%	
Volatile Organic Compounds	28.9	tonnes	↑ 3%	

¹ Calculations and submissions were completed in June 2025. Reported data reflects the previous calendar year, following full data collection and verification.

LABORATORY SERVICES

20,458

TESTS
COMPLETED

8,277

SAMPLES
ANALYZED

5,353

QC SAMPLES
CONDUCTED

- Renewed Human Pathogens and Toxins Act license, maintaining standing as a federally compliant biosafety facility.
- Partnered with University of Waterloo and EPCOR on a study of contaminants of emerging concern in wastewater streams.
- Advanced a validation study for a new multi-parameter apparatus, positioning the lab toward current environmental analysis technologies.
- Increased BOD and Carbonaceous Biochemical Oxygen Demand (CBOD) testing frequency following regulatory approval renewal.
- Continued in-house analysis support for Operations, Engineering, and Source Control.
- Sustained contribution to the Alberta COVID-19 Wastewater Monitoring Program, supporting community-level public health awareness.

SOURCE CONTROL PROGRAM

The Source Control Program manages discharges at the source through site inspections, sampling, wastewater discharge permits, education, and enforcement, overseeing more than 1,800 ICI facilities across ARROW Utilities' 13 member municipalities.

2025 COMPLIANCE HIGHLIGHTS

353

95% COMPLIANCE

ICI facilities inspected
under Quality of
Wastewater Bylaw

315

92% COMPLIANCE

Samples obtained from
ICI facilities

59

53% COMPLIANCE

Samples from septage
receiving stations

2025 Initiative: Residential Wastewater Study

A plan was developed in 2025 to study residential wastewater constituent concentrations. Findings will inform updates to the overstrength program to support equitable delivery. The two-year study begins spring 2026.

SAFETY, HUMAN RESOURCES, AND WELLNESS

HEALTH & SAFETY MANAGEMENT SYSTEM (HSMS)

Our comprehensive HSMS is designed to protect employees, contractors, and the communities we serve while supporting safe, reliable operations. In 2025, the system was strengthened through three new components and sixteen updates, reflecting our commitment to continuous improvement and regulatory alignment. Enhancements to incident management included organization-wide awareness training, with a focus on investigation, prevention, and supporting worker health and safety.

2025 INCIDENT CLASSIFICATION TOTALS



81
TOTAL INCIDENTS

<10%
ENVIRONMENTAL IN SCOPE

2
LOST-TIME INJURIES

Onboarding & Training: 2025 Focus Areas

- Awareness training on incident investigation delivered to all employees
- Improved accessibility of training materials across departments
- Closed identified training gaps through targeted programs
- Enhanced Training and Competency Policy

HUMAN RESOURCES

In 2025, HR focused on strengthening internal systems and practices to support continued organizational growth. A total compensation review was completed, resulting in improved market alignment and greater internal equity across positions.

OTHER ACTIVITIES

- Numerous job descriptions created and updated to clearly define roles, responsibilities, and reporting relationships.
- Core HR processes and procedures clarified and documented for consistency and efficiency.
- New Hire Review form introduced and Annual Performance Review form revised to support structured, objective feedback.

EAM Timesheet Integration

In collaboration with IT, HR & Payroll supported the transition of employee timesheet entry into the EAM system, streamlining time reporting and making it easier for employees to accurately record their hours. This was part of a broader effort to build strong, scalable foundations to support employees and ARROW's continued growth.

INFORMATION AND STRATEGIC SERVICES

INFORMATION TECHNOLOGY

2025 was a foundational execution year for IT. The year balanced operational stability with significant change, positioning IT to shift from remediation to modernization in 2026.

FortiGate Major security & infrastructure upgrades delivered	EAM System Groundwork laid for large-scale enterprise system replacement
Dragos Improved cybersecurity visibility & maturity	NetSuite Enterprise resource planning system initiated

DOCUMENT MANAGEMENT

ARROW Utilities Document Management staff maintain nearly 4,300 equipment files and over 3,000 engineering drawings.

- Initiated digitization of Operations and Maintenance files across the organization.
- Improved document version control and standardized naming conventions.
- Introduced OnBase records management system training to support staff adoption.
- Began updating filing policies to align with digital-first practices.

GOVERNANCE

Board improvements advanced in 2025

- New Board members welcomed and onboarded following municipal elections
- Quality of Wastewater Bylaw updated

COMMUNICATIONS

Clogstoppers: Pete the Pipe Police
The campaign launched Pete the Pipe Police through new video content, raising public awareness around clog prevention. Assets were developed in collaboration with the Communications Advisory Committee and shared with member municipalities.

Kids with Cancer Society Partnership
ARROW Utilities partnered with the Kids with Cancer Society, PCL Construction, and Associated Engineering to host a memorable construction experience for two children and their families.

40th Anniversary Celebration
ARROW Utilities marked a significant milestone with its 40th anniversary, celebrating the organization's history and continued commitment to the region.

STRATEGIC SERVICES

In 2025, the ISS Department introduced a four-year strategic and corporate business planning cycle. This cycle will guide the development of six key planning documents:

- 01 Board of Directors Strategic Plan
- 02 Corporate Business Plan
- 03 Department Plans
- 04 Business Unit Plans
- 05 Service Levels
- 06 Long-Range Staffing Plans

- 17 Board policies revised to strengthen oversight
- Proactive risk mitigation and transparency reinforced

FINANCIAL SERVICES

FINANCIAL SERVICES

Financial Services continues to support ARROW Utilities' commitment to financial transparency and accountability, maintaining responsibility in the stewardship of financial resources, procurement practices, and inventory management.

Rate Model Development

A comprehensive rate model was advanced in 2025 to support long-term financial planning, strengthening ARROW Utilities' ability to forecast revenue requirements, determine cost drivers, and align rates with future operational needs, infrastructure investments, and reserve allocations.

PROCESS AND SYSTEM IMPROVEMENTS

- CMMS integration eliminated manual inventory tickets in collaboration with IT.
- Centralized purchase request form and tracker introduced for timely updates.
- Financial forms automated and shared budget information sites developed.
- Asset Retirement Obligation (ARO) accounting standard adopted for legislative compliance.
- External audit completed with no significant findings identified.

FINANCIAL SERVICES STATS

~1,000

PURCHASE
ORDERS
PROCESSED

1,500+

ITEMS &
PACKAGES
RECEIVED

~2,500

INVOICES
PROCESSED & PAID

75%+

VENDOR PAYMENTS
CONVERTED TO EFT

FINANCIAL HIGHLIGHTS

Revenues

ARROW Utilities recorded \$83.2 million in gross revenues in 2025 which is a decrease of \$25 million compared to prior year due to the \$38.6 million received from Government Grants in 2024. Revenues increased by \$27 million compared to 2023 where no large grants were received.

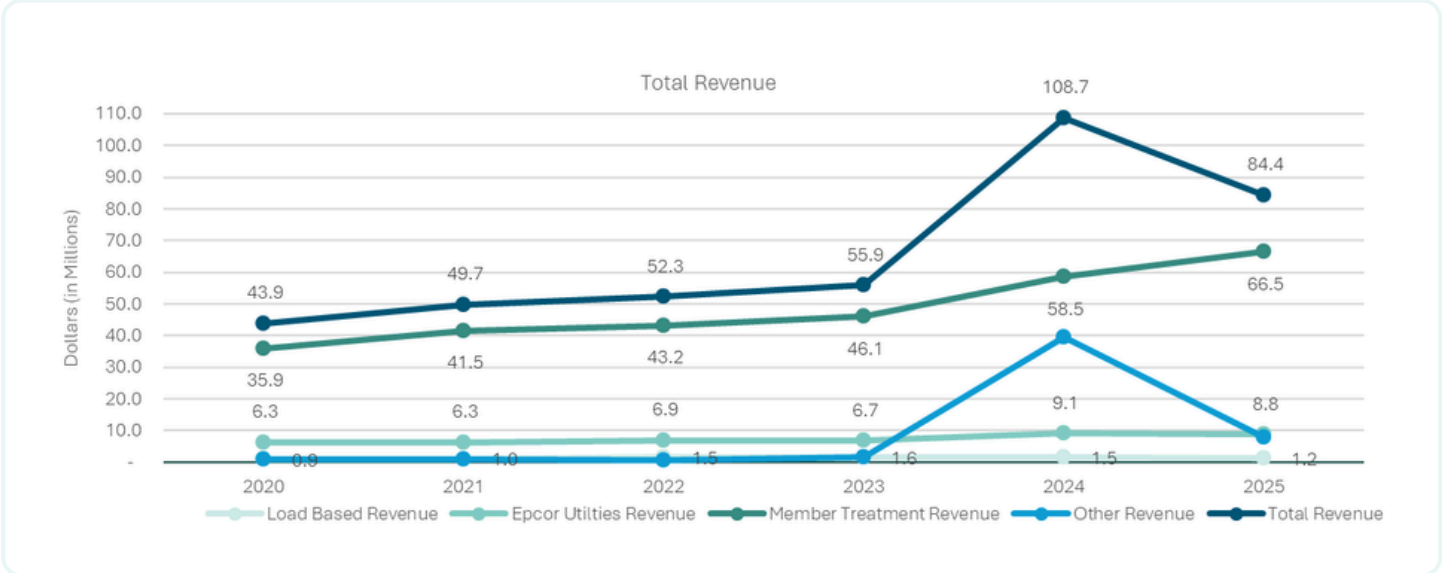
\$83.2M

GROSS REVENUE
IN 2025

\$52.3M

EXPENSES IN
2025

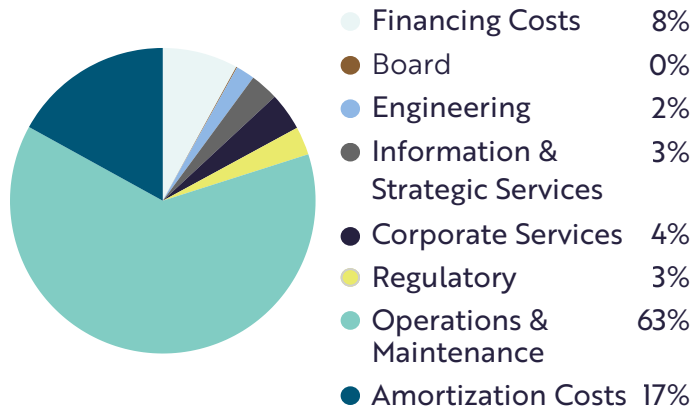
FINANCIAL HIGHLIGHTS CONTINUED



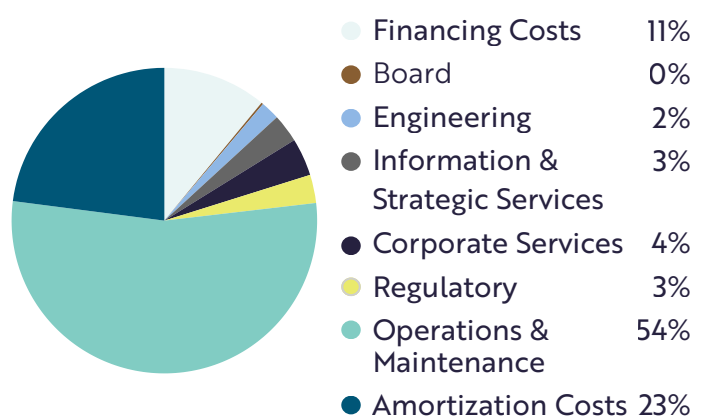
Expenses

ARROW Utilities incurred \$52.3 million in expenses in 2025 which is an increase of \$1.4 million compared to prior year (\$50.9 million) and \$7.4 million under budget (\$59.6 million).

2024 EXPENSES BY DEPARTMENT



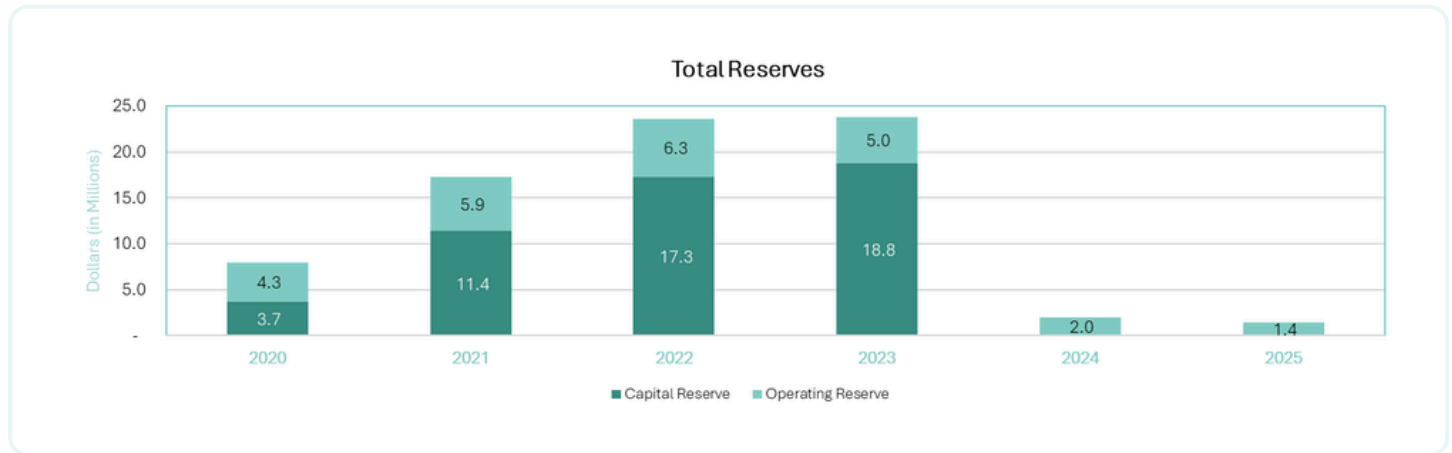
2025 EXPENSES BY DEPARTMENT



Reserves

Reserves remain at similar levels from prior year with \$0 in Capital Reserve and a slight decrease in Operating Reserves at \$1.4 million. As part of the 2026 budget, an approved plan has been established to begin rebuilding balances to appropriate levels.

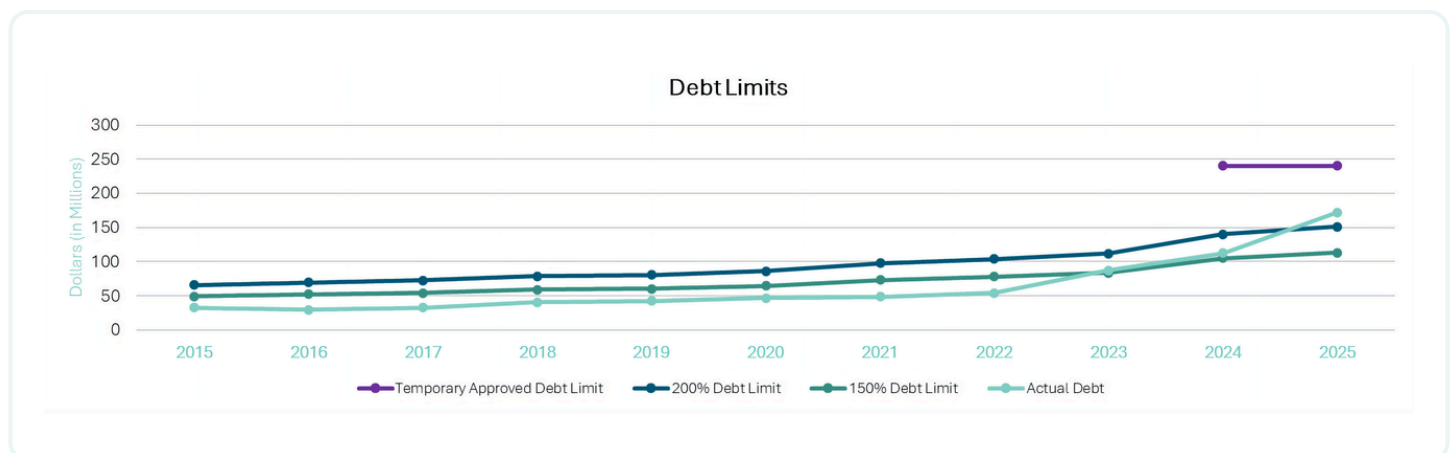
FINANCIAL HIGHLIGHTS CONTINUED



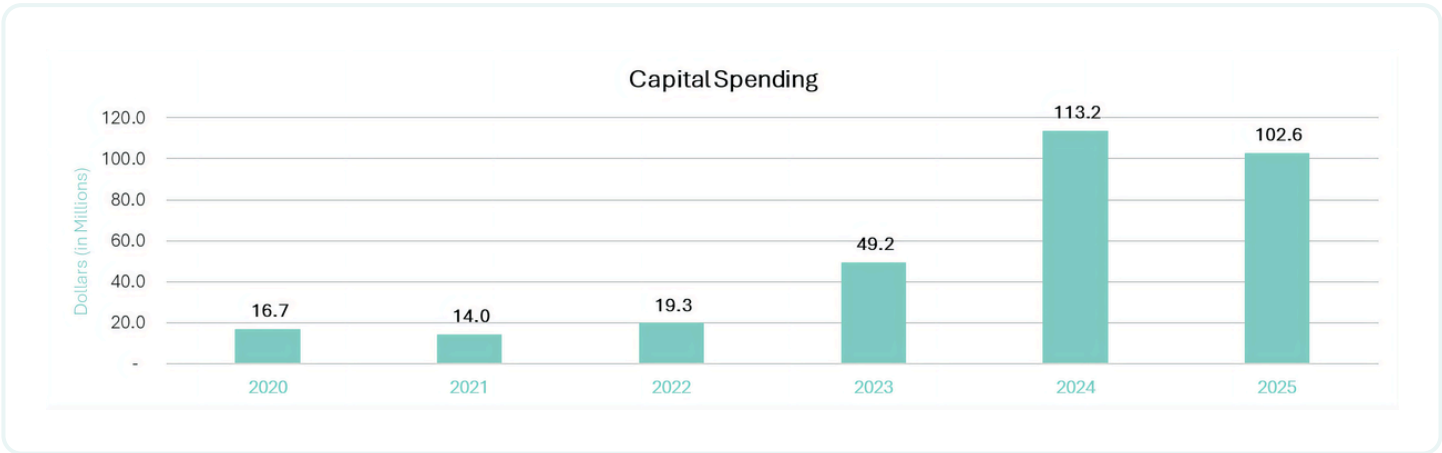
Debt

Debt increased by \$59.5 million to \$172 million (\$112.5 million in 2024). New debt of \$66.6 million was issued with \$7.2 million paid down in principal on outstanding debentures.

	(in 000's)		
	2023	2024	2025
Total debt limits - 150% (Board Limit)	\$ 111,816	\$ 104,994	\$ 113,428
Total debt	- 87,461	- 112,532	- 171,954
Remaining (overage) of debt	\$ 24,355	-\$ 7,538	-\$ 58,526
Debt servicing limit	\$ 19,568	\$ 24,499	\$ 26,467
Debt servicing	- 10,363	- 10,363	- 12,670
Remaining of debt servicing	\$ 9,205	\$ 14,136	\$ 13,797



CAPITAL SPENDING



Capital Projects (000's)	2025 (Actual)	Project To Date	Total Project Estimates	Remaining Future Costs
Beaumont Line Twinning	\$ 75	\$ 75	\$ 20,000	\$ 19,925
Train 4 Plant Upgrade	91,243	187,524	196,100	8,576
Plant Emergency Backup Power	8	8	4,720	4,712
Unplanned Line Replacement	8,864	8,882	13,118	4,236
ERP replacement	104	104	1,250	1,146
Annual Minor Capital	204	204	548	344
Biogas Piping & Chiller Upgrades	1,144	3,159	3,325	166
Waste Gas Burner System Upgrade	147	4,636	4,716	80
CMMS	138	185	250	65
5Kv Main Breaker and Tie Breaker Replacement	282	2,575	2,590	15
FSPS Generator and MCC System	291	4,975	4,975	-
PLPS HVAC System Upgrade	17	2,015	2,015	-
Transmission Projects	9	11,209	11,209	-
Total Capital Requirements	\$ 102,526	\$ 225,551	\$ 264,816	\$ 39,265